

Good intentions, mixed results

Diagnosis and cure

The mid-1990s was a time of change, with the end of the Cold War, shifting international relations and emerging new regional conflicts in Africa. In the Netherlands, following a review of Dutch foreign policy in 1996, the Ministry of Foreign Affairs was reorganized to integrate development cooperation with foreign policy. The IOB evaluation assesses how these changes affected the Dutch Africa policy, its implementation, and its impacts.

The IOB evaluation focused on Dutch bilateral development aid only, and attempted to answer three basic questions. First, what considerations influenced the evolution of the Dutch Africa policy? Second, how, and to what extent, was the Africa policy implemented? Third, what has the Dutch Africa policy actually achieved? The 300-page report starts with an explanation of the methodology, and then describes developments in Africa over the past decade (demographic trends, democratization, trade liberalization and conflicts), the changing perceptions of what constitutes effective aid, and the influence of the major multilateral and bilateral donors.

Policy intentions

The first part of the report explains Dutch policy intentions with respect to sub-Saharan Africa over the period 1998–2006. Throughout the period studied, the Dutch policy for Africa changed and evolved under the various ministers. The IOB evaluation centres on what these ministers' intentions were, and whether they were translated into policies with a true focus on Africa, in what fields did they want Dutch aid to make a contribution, and by means of which implementation strategies.

Breaking with the past (1998–2002)

In the first period covered in the evaluation, 1998–2002, the Minister for Development Cooperation Eveline Herfkens (Labour), together with Minister of Foreign Affairs Jozias van Aartsen (Liberal), wished to make a clear break with the past.

Evaluation methodology

In their analysis the IOB evaluators examined various materials, including:

- three general Africa-wide policy papers;
- 70 regional, thematic and other policy papers and letters to the Dutch parliament concerning Africa;
- 30 other policy papers published prior to 1998; and
- other recently completed IOB evaluations on specific policy themes.

The report notes that nearly one-third of Africa-relevant policy papers were not shared with the Dutch parliament.

The evaluators also conducted a financial analysis of the Dutch bilateral funding over the period; interviews with 506 individuals, including ministry and embassy staff, and representatives of other donor agencies, local governments, civil society and the private sector in Africa; and field visits and archival research.

Improving the effectiveness of Dutch aid, 1998–2002

In 1998, Dutch aid was still parcelled out to as many as 47 countries in sub-Saharan Africa. Minister Herfkens reduced this number to just 20:

- **Bilateral partnerships with 12 countries:** Benin, Burkina Faso, Eritrea, Ethiopia, Ghana, Mali, Mozambique, Rwanda, Tanzania, Uganda, Zambia and Zimbabwe.
- **Limited bilateral relationships with Egypt and South Africa.**
- **Eight countries included in thematic programmes:** Guinea-Bissau, Kenya, Namibia, Rwanda and Zimbabwe (governance, human rights and peace building); Cape Verde and Senegal (environment); and Benin (private sector development).

First, in order to improve the effectiveness of Dutch aid, the number of countries receiving aid would be reduced. Only 12 countries in sub-Saharan Africa (see box above) were to receive long-term bilateral assistance. The criteria for eligibility for this assistance were the degree of poverty, the quality of socio-economic policies, and good governance. Under these criteria, 15 'exit countries' would no longer be eligible for bilateral assistance.

Second, the Netherlands aspired to take a lead in the design of a new international aid architecture. Therefore, an increasing proportion of Dutch aid would be channelled through the multilateral agencies. It should be noted that these multilateral funds are not included in the IOB evaluation.

Third, in order to improve the quality of Dutch aid, the focus on projects would be replaced by a new approach providing support to sectors. General budget support was also introduced. To promote ownership and increase efficiency, part of Dutch development funds were to be transferred to the treasuries of selected partner countries, and their governments were free to decide how to spend it.

Finally, in response to the growing calls for 'trade not aid', and to help developing countries strengthen their position in international markets, the government wished to improve the coherence in its trade policy. For that purpose, a 'coherence unit' was created within the Ministry of Foreign Affairs.

It was decided that as much as 50% of Dutch bilateral aid was to go to the African continent. The foreign policy intentions formulated at the time, however, were rather general and lacked a specific focus on Africa.

Consolidation (2002–2006)

Following the election of a new government in 2002, Agnes van Ardenne was appointed Minister for Development Cooperation and



Jaap de Hoop Scheffer became Minister of Foreign Affairs (he was later succeeded by Ben Bot). All three are Christian Democrats.

The period 2002–2006 saw the consolidation of previous policy intentions in terms of improved coherence and the implementation of the sectoral approach. The provision of general budget support (GBS) to selected partner countries also continued. Donor harmonization was placed high on the agenda. Dutch aid was to be more strongly connected with the Millennium Development Goals (MDGs), as well as with the recipient countries' own poverty reduction strategies (PRSPs). New elements in the policy included an emphasis on the theme of peace and security, the importance of an integrated foreign policy (diplomacy, political dialogue, security, trade and market access), and a larger role for the private sector in development.

Minister van Ardenne attached greater importance to accountability in the use of Dutch aid, and called for new instruments for measuring and reporting results.

The spending target for aid to Africa (50% of total bilateral aid) remained unchanged. The government continued its bilateral relationships with the original 12 African countries, and added three more. Under Minister van Ardenne, the focus on Africa was much stronger than it had been during the previous four years.

Is the evaluation representative?

- The IOB evaluated the Dutch policy with respect to bilateral aid to Africa only. Policies with regard to, and the funds channelled through multilateral agencies and NGOs were not taken into account.
- The amount of aid evaluated is around €2 billion, or about 40% of the total bilateral aid to Africa in the period 1998–2006. This excludes the funds provided for debt relief.
- The IOB examined 42 evaluation studies in 17 countries (12 of the 15 partner countries, plus five non-partner countries).

How was the money spent?

Between 1998 and 2006, 45–60% of all Dutch bilateral aid, amounting to €5.8 billion, went to Africa. The Ministry of Foreign Affairs introduced a new financial administration system that does not allow an overview of total bilateral spending, making it difficult to monitor the policy intention of allocating 50% of bilateral aid to Africa.

The top five spending categories were:

1. Debt relief (90% of which export credit debt relief): €1100 million
2. Humanitarian aid: €825 million
3. General budget support: €800 million
4. Education: €565 million
5. Health: €500 million

Implementation and results

Such were the policy intentions of the various ministers. But what became of them? This section summarizes the IOB's evaluation of the implementation of Dutch policy, and the results achieved.

With regard to general budget support and the sectoral approach, the picture is, at best, mixed. Dutch policies on humanitarian assistance, coherence and conflict are evaluated mostly positively. Another positive note is that the intention to improve the effectiveness of Dutch aid was followed up. Whereas in 1998 the government had aid relationships with 47 sub-Saharan countries, this number had been reduced to 20 four years later. The IOB is highly critical about the implementation of the Dutch debt relief policy.

General budget support

Over the eight-year period, the Dutch government provided a total of €5.8 billion in bilateral aid to sub-Saharan Africa. Of this, €800 million went to 10 countries in the form of general budget support. GBS was the third largest spending category, despite the fact that there was no explicit policy with respect to this form of support.

What did the IOB find about the implementation of GBS? The ministry uses a complicated system, called the 'track record', to determine whether or not a country should receive budget support. Questions have been raised about the objectivity and the quality of this system, given that decision makers at the ministry regularly disagree about whether or not GBS should be granted. According to the IOB, in three cases (Burkina Faso, Tanzania and Uganda), 'the controversial outcome of the track record determination was put aside by the minister in favour of a politically motivated decision'. The IOB concludes that GBS was used *de facto* as a political instrument.

General budget support often proved to be a budget-balancing item. The funds available as GBS depended on what was left over from the country budgets, and fluctuated considerably. This finding challenges the supposed advantage of GBS – that it ensures the predictability of Dutch funding. Disbursement pressure, which resulted in large amounts of 'incidental budget support', especially in 2000 and 2001, only made matters worse. In recent years the predictability of funding has improved, however.

What have been the impacts of GBS in Africa? Governments are free to dispose of the GBS funds as they wish, which has helped to strengthen their capacities and to provide better public services. As a result, more poor people gained access to education and health care. At the same time, however, the evaluators could not prove that GBS had contributed to economic growth or poverty alleviation. Although the IOB adds that this does not

General budget support as a political instrument

- Burundi received GBS in 2006 even though, as a non-partner country, it was officially not eligible for this.
- The GBS given to Ghana and Mali was directly related to their military participation in the West African peacekeeping forces in Liberia and Sierra Leone.

necessarily mean that a relationship does not exist, this is a serious conclusion given that GBS was the third largest category of spending. The IOB warns that more research into the effects of GBS is urgently needed to prevent the erosion of Dutch public support for this form of aid. This also holds for the issue of corruption, which the IOB describes as a 'ticking time bomb' that threatens this form of aid. Countries receiving GBS are supposed to have a good record on tackling corruption, but in practice this is not always the case.

Another positive effect of budget support is that it promoted donor harmonization.

Sectoral approach

Sector support was introduced to improve the quality of aid through better donor coordination and the allocation of funds based on the development plans of the partner governments. The IOB finds that the Dutch sectoral approach indeed contributed to improved donor coordination. But donors often lacked the political will to rearrange their aid in accordance with the countries' poverty reduction strategies (PRSPs).

Sector support had some positive results. Many Africans benefited from increased access to and improved public services, especially education. However, because most sector funds are

The true costs of debt cancellation

Between 1998 and 2006, €1100 million of Dutch bilateral aid to Africa was spent on debt cancellation. Of this, 90% was used to cancel export credit debts. This has been at the expense of poverty alleviation in poor countries.

- To promote Dutch exports, Dutch companies can insure their export transactions to Africa with the Ministry of Finance.
- Many African governments have large debts as a result of their failure to pay for Dutch export products. Many of these debts have now been cancelled.
- The lion's share (€700 million) went to two non-partner countries, the Democratic Republic of Congo and Nigeria. Theoretically, debt relief amounts to general budget support, but in these cases the criteria for granting GBS were not applied. Soon after being offered debt relief by the Paris Club (which included the Dutch debt relief) Nigeria accepted considerable new loans from China.
- This debt relief was paid out of the budget for development cooperation, and contrary to international agreements (Monterrey Consensus) no additional funds were made available for this.
- To make matters worse, the Ministry of Finance receives 100% of the insured amount from the Minister of Development Cooperation. However, it only pays 90–95% to the Dutch companies affected. Including cancellations still pending, this will give the Ministry of Finance an estimated windfall of €500 million in 2007 and 2008, at the expense of the development budget.
- Finally, even if debt cancellations have positive macroeconomic impacts in the countries concerned, the IOB doubts that they will benefit the poor. This is a clear example of the so-called 'macro-micro paradox'.

channelled through national governments, the political will and the capacity of those governments determined whether poverty reduction was given priority. Attention to rural poverty declined.

Like many other donors, the Dutch favoured social sectors (education, health) and neglected support to productive sectors.

Education

During 2002–2006, education was the fourth largest category of Dutch bilateral aid in Africa. As a result of the introduction of the sectoral approach, the allocations to education shot up. Dutch aid contributed to the 'spectacular growth' in access to education in several countries. In Uganda, for example, enrolment in primary education increased from 2.5 million children in 1995 to just over 7 million in 2005. The IOB nevertheless raises several criticisms.

First, children in poor rural areas benefited less from increased access than those in urban areas. Second, the quality of education has barely improved. Third, Dutch aid followed the international trend of focusing almost exclusively on primary education. This has been at the expense of adult education, vocational training, secondary and tertiary education. A fourth weakness has been the focus on the educational 'hardware', including teachers, schools, classrooms and books, while investments in school management, district management and schools inspectorates are urgently needed.

The IOB is very positive about the leading role played by the Dutch in harmonizing donor efforts in the education sector in Africa. The Netherlands is also the biggest funder of the Fast-track Initiative, a global partnership of donors and developing countries that aims to accelerate progress on the MDG of universal primary education by 2015.

HIV/Aids

The IOB is generally positive and commends the government's clearly defined policy and its labelling of HIV/Aids as a human rights issue. The implementation of the policy was largely in line with intentions. The goal of integrating Aids policy with other sectors is not yet common property, but it worked well in education. But while most policy objectives were achieved, actual impacts are harder to measure. IOB believes it 'plausible' that Dutch support for national Aids programmes, support to the health sector, and the funding of specific HIV/Aids projects made a modest contribution to fighting the disease.

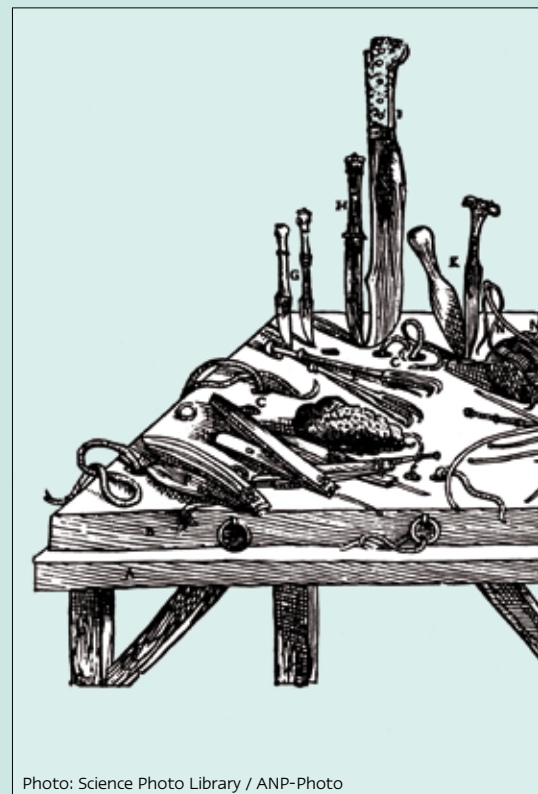


Photo: Science Photo Library / ANP-Photo

Rural development and agriculture

IOB's judgement on this subject is generally negative. In the years 1998–2006 no strategic sector analysis of rural development and agriculture in relation to poverty eradication was conducted. Although rural development and agriculture were key areas for Dutch poverty eradication strategies in the 1980s and early 1990s, most of the support to these two policy areas was largely dropped. This happened despite the fact that many African governments have stressed the importance of agriculture in their PRSPs. Existing aid activities in agriculture were sometimes continued under the headings of 'private sector development' or 'environment'.

The IOB report concludes that the run-down of support to productive rural sectors has resulted in a decline in knowledge about rural development and agriculture within the ministry, at the embassies and in the field.

Finally, in those countries where the Dutch government cut back its involvement in rural development, exit strategies were only rarely applied.

Urban poverty

The policy intention to achieve a more integrated approach to urban development has barely been realized, and few results have been achieved. Given that 35% of sub-Saharan Africans live in cities, more attention to urban poverty is needed. The IOB raises the question whether Dutch assistance

should take the form of sector support, or through a focus on urban slums.

Good governance

The Dutch government introduced good governance as a key criterion for deciding whether a partner country would be eligible to receive general budget support. For at least the first five years, however, there was little political interest in, and a lack of in-depth knowledge about the subject of good governance within the ministry. The IOB concludes that the Dutch policy on good governance suffered from the slow start and a rather technocratic focus. Nevertheless, Dutch support had impressive results in terms of advancing the so-called 'narrow conception' of the constitutional state by, for instance, training of lawyers and building courts of law. Dutch aid was less geared towards the higher goals of strengthening the constitutional state (respect for human rights and poverty alleviation), and

Partner countries, political choices?

- The eligibility criteria for selecting partner countries did not always prove valid and were not always consistently applied.
- The exclusion of the DR Congo as potential partner country is understandable given its very bad governance situation. However, should so-called failed states by definition be excluded from bilateral support? Such aid could be channelled through civil society and churches.
- The negative role of both Uganda and Rwanda in the DRC conflict (including in the illegal exploitation of natural resources) appears to have been ignored in the decision to keep them as partner countries.

sought little connection with economic development.

The IOB report poses a serious question: does sector support fit with the theme of good governance? Civil society appears to be a victim of increasing exclusion as a result of the provision of sector support, which flows through government-to-government channels. This is alarming considering that civil society is crucial for the advancement of the constitutional state in its widest sense.

Humanitarian assistance

Over the eight years, humanitarian assistance, amounting to €825 million, was the second largest spending category. The IOB concludes that, on the whole, this humanitarian aid was relevant and effective, and the Dutch government was right to concentrate on a limited number of countries and regions. The importance of adopting a regional policy was stressed in several documents, but proved difficult to implement in practice. Regional policies have to include both partner and non-partner countries, which do not have the same access to bilateral funds.

After the attacks of 11 September 2001, some donors politicized their humanitarian aid. The IOB states that the Dutch humanitarian aid policy in sub-Saharan Africa was not negatively influenced by the 'war on terror'. However, it was due to politics that humanitarian aid to Darfur came late (see box, 'Sudan', page 18).

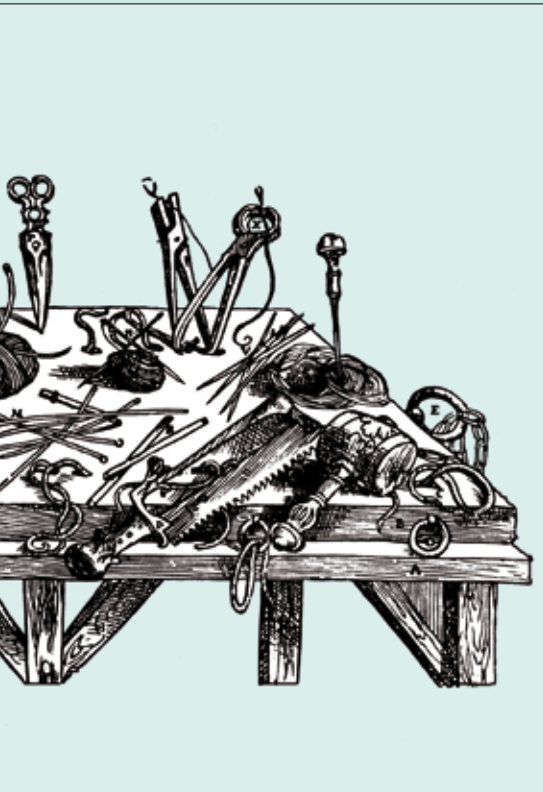
Finally, a policy gap remains between humanitarian aid, support for reconstruction and bilateral development cooperation.

Conflict prevention and management

The Dutch government made an important turn when it decided that diplomacy, defence and development cooperation were to start moving in concert. This intention to integrate the various areas of foreign policy indeed found its way into specific policy papers and their operationalization in the Great Lakes region and the Horn of Africa. The IOB commends the government for this. A downside is the time spent on the many consultations between different ministries that are now necessary.

The results of the policy on conflict prevention are difficult to judge. Many elements play a part in peace and democratization processes. It is impossible to assess accurately the impact of one single donor. The IOB nevertheless concludes that the Dutch policy has certainly played a role in the stabilization of the Great Lakes region and the Horn of Africa in recent years.

The IOB is critical of the absence of the envisaged special budget for reconstruction, an instrument that could facilitate support for post-conflict countries and failing states. ➤



Coherence

The coherence unit within the Ministry of Foreign Affairs prepared several policy papers as well as assistance strategies for specific sectors (sugar, cotton, fisheries, cut flowers), which provided a clear framework for action. Based on two case studies – the cut-flower industry in southern and East Africa and the cotton industry in West Africa – the IOB concludes that the coherence policy has made a considerable contribution to the efforts to improve market access for African flower and cotton producers. In the case of cut flowers, successes included a more favourable EU inspection regime leading to improved market access, from which small exporters such as Tanzania and Zambia in particular have benefited. Dutch efforts to improve the export position of West African cotton producers are highly appreciated by the West African countries, and by many developed countries and development organizations. However, Dutch pressure within the World Trade Organization and the European Union did not prove strong enough to achieve the desired fairer trade conditions on the international cotton markets.

With regard to the programme to encourage public-private partnerships (PPPs), which was intended to involve the Dutch private sector in development, progress has been disappointing.

The verdict

At the end of the report the IOB presents a list of general conclusions and recommendations.

1. Making choices has not been the Dutch government's strongest point. The years 1998 to 2006 were characterized by 'too much policy', with 'too few priorities', which made monitoring and effective guidance difficult.
2. The poverty focus of Dutch development assistance weakened due to debt relief and the introduction of the sectoral approach. Poor people in marginal rural areas and urban slums have increasingly gone unnoticed.
3. In future, funds used for the cancellation of export credit debts should no longer be drawn from the budget for development cooperation.
4. The Dutch government should be more reticent about giving general budget support to governments that violate human rights, manage their public sector badly and do too little to stop corruption.
5. Productive sectors need more focused attention.
6. The shift away from projects to sector and budget support was supposed to strengthen ownership. However, in view of the long lists of donor demands and pressures on recipient governments during the policy dialogue process, in most cases the Dutch government paid 'little more than lip service' to ownership.
7. Improving the effectiveness of long-term aid, which involves leaving responsibility in the hands of the recipient governments, has become subordinate to the need to score successes in achieving the MDGs. This could be remedied by applying a blend of different forms of aid rather than budget support alone.
8. Gender issues have increasingly been 'mainstreamed' into other policy areas. Focused attention on women decreased. Also, too little attention was paid to women in areas of conflict.
9. The gradual improvement in cooperation between the Ministry of Foreign Affairs and the Ministries of Finance, Agriculture, Economic Affairs, Defence and Education has been a positive development. ■



Photo: AKG / ANP-Photo

Some financial conclusions, 1998–2006

- Two-thirds of the total €5.8 billion bilateral aid for sub-Saharan Africa went to the 15 partner countries, a quarter went to non-partner countries, while the remainder was spent regionally.
- Annual fluctuations in aid allocations are substantial. Partner country Ghana received €38 million in 2003, €92 million in 2004 and €20 million in 2005. Non-partner country Cameroon received €4.5 million in 2000, €50.5 million in 2001 and €3 million in 2002. These fluctuations raise questions about the allocation system and put the predictability of Dutch aid in an unfavourable light.
- Debt cancellation was the largest spending category of Dutch aid in Africa. As a result, non-partner country DR Congo received the third largest amount of Dutch aid over the period 1998–2006 (€435 million), after partner countries Tanzania and Ghana. Non-partner Nigeria came fifth with €369 million.